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Netherlands

Frozen Potato Products

Annual

2005

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Report Highlights:
Production of potatoes for consumption is expected to be 6% lower than last year. In order to utilize full capacity, the processing industry is expected to relax its requirements on raw supply and increase imports of raw potatoes from neighboring countries if availability permits. The reduced supply of Dutch potato products will have the biggest impact on export markets outside the EU. Improved export opportunities for US product are to be found in these markets.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
The Hague [NL1]
[NL]

Production, Supply and Distribution

PSD Table

Country Netherlands

Commodity Potato Products, Frozen (MT)(MT, Net Weight)

	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [	Estimate[N	DA Official [	Estimate[N	DA Official [	Estimate[New]	
Market Year Begin		07/2004		07/2005		07/2006	MM/YYYY
Deliv. To Processors	3321337	3229500	3400000	315000	0	3225000	(MT)
Beginning Stocks	3513	3513	2044	2000	0	0	(MT, Net Weight)
Production	1370376	1371100	1390000	1300000	0	1350000	(MT, Net Weight)
Imports	137790	105400	122000	115000	0	110000	(MT, Net Weight)
TOTAL SUPPLY	1511679	1480013	1514044	1417000	0	1460000	(MT, Net Weight)
Exports	1274635	1183806	1295000	1140000	0	1175000	(MT, Net Weight)
Domestic Consumption	235000	294207	219044	277000	0	285000	(MT, Net Weight)
Ending Stocks	2044	2000	0	0	0	0	(MT, Net Weight)
TOTAL DISTRIBUTION	1511679	1480013	1514044	1417000	0	1460000	(MT, Net Weight)

Source: World Trade Atlas, www.vavi.nl
NOTE:
- production, import and export numbers are product weight numbers
- Consumption numbers are based on per capita consumption (Dutch industries estimates that 85% of given consumption numbers represent consumption of French fries) and the production, import and export figures;

Exchange Rate		
Year	**U.S. $**	**EURO**
2001	1	1.12
2002	1	1.06
2003	1	0.88
2004	1	0.81
2005	1	0.79

Note: For 2005 exchange rate is only available for the first eight months

Production
The harvested acreage of potatoes for this year is estimated at 161,00 hectares, 2 percent less than last year. This estimate is based on actual planted acreage; the historical average of harvested acres is ninety-seven percent and no deviations are expected for this year.

Total potato production in the Netherlands includes the production of starch, consumption and seed potatoes. The harvested acreage, yield and total production for the various potato types are shown in table 1.

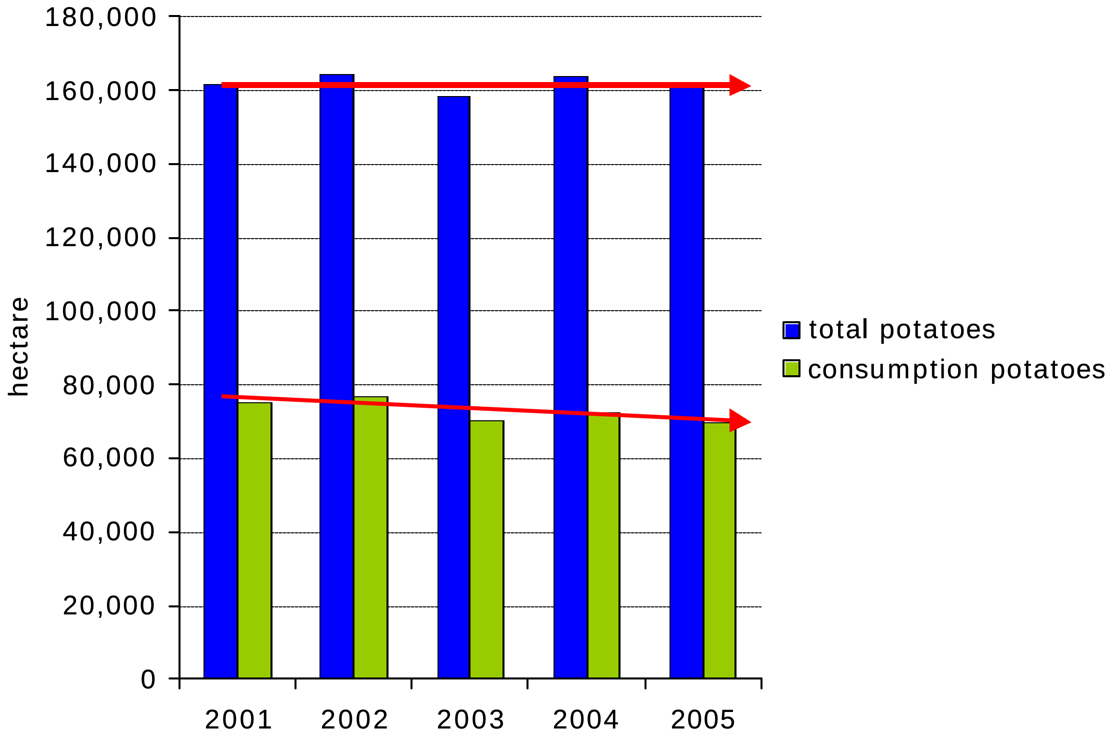
Table 1: Harvested Acreage for Starch, Consumption and Seed Potatoes

	Year	Harvested Acreage (Ha)	Yield Kg/Hectare	Total Production Metric Tons
Total Potatoes	2001	161,665	43,400	7,015,253
	2002	164,308	44,800	7,362,738
	2003	158,518	40,808	6,468,762
	2004	163,905	45,978	7,535,982
	2005*	161,000	42,460	6,835,985
Seed Potatoes (sandy and peat soil)	2001	5,974	33,900	202,659
	2002	4,809	30,400	146,204
	2003	3,855	33,000	127,236
	2004	3,683	31,000	114,173
	2005*	3,500	29,140	101,990
Seed Potatoes (clay)	2001	32,772	35,800	1,173,953
	2002	33,939	35,000	1,188,754
	2003	35,420	36,100	1,279,786
	2004	36,056	36,500	1,316,044
	2005*	36,500	34,310	1,252,315
Consumption Potatoes (sandy and peat soil)	2001	20,752	50,400	1,046,493
	2002	26,319	50,800	1,336,877
	2003	21,964	45,900	1,007,499
	2004	22,227	53,600	1,191,367
	2005*	20,000	50,384	1,007,680
Consumption Potatoes (clay)	2001	54,298	46,900	2,545,292
	2002	50,643	51,500	2,610,554
	2003	48,485	46,000	2,232,445
	2004	50,443	52,200	2,633,125
	2005*	50,000	49,068	2,453,400
Starch Potatoes (all)	2001	47,869	42,800	2,046,856
	2002	48,598	42,800	2,080,359
	2003	48,794	37,300	1,821,796
	2004	51,496	44,300	2,281,273
	2005*	51,000	40,000	2,040,000

*Preliminary figures
Source: www.cbs.nl, industry contacts

The yield per hectare of potatoes is expected this year to be 42.5 MT, 7.5 percent lower than last year. The yield of consumption potatoes is expected to decrease by roughly six percent compared to 2004. Due to unfavorable weather circumstances during planting time, the growing season has been reduced. As a result the harvested potatoes are expected to be smaller in size. In addition, the acreage of potatoes for consumption is down by 4 percent.

Graph 1: acreage total and consumption potatoes, 2001-2005



Source: www.cbs.nl

The total production of potatoes in the Netherlands is expected this year to be 6.8 million MT, 9 percent lower than last year's. The main potato growing area is the Rijn-Maas-Schelde delta in the south.

Processing

Of the total output of potatoes for consumption in the Netherlands in MY 04/05, 3.8 million MT, over fifty percent (2.1 million MT) has been used for further processing. In addition, slightly over 1.1 million MT potatoes were imported. Imports come from neighboring Germany and Belgium. Imports are needed to fully utilize processing capacity of potato products processors.

The forecast volume of potatoes (raw material) used for processing for 2005 is almost 3.2 million MT. The production of pre-fried products is estimated at 1.3 million.

Table 2: Output of Potato Products, 1,000 MT

	03/04	04/05	05/06*
Pre-fried products	1,361	1,382	1,300
Other products	351	349	350
Total potato products	1,712	1,731	1,650

*FAS estimates

Source: www.vavi.nl

Industry

The global production of frozen potato products is dominated by North American companies, accounting for almost 60 percent of the production. Cosun-owned Aviko and Farm Frites are the only Dutch-based global frozen potato products concerns.

Table 3: Global Market Share of the Top 4 French Fry Producers

Company	Global Market Share
McCain	28%
Lamb Weston / Meijer	20%
Simplot / Farm Frites	11% / 5%
Aviko	6%
Other	30%

Source: Magazine Boerderij/Akkerbouw

In the Netherlands, McCain, the joint venture Lamb Weston/Meijer, the strategic alliance Simplot/Farm Frites and Aviko account for 96 percent of the market. Agristo, Al-food and Oerlemans account for the remaining 4 percent.

The Dutch potato industry is very export oriented, 90% of the processed potato products are exported to Germany, the UK and France. New export opportunities within the old EU15 are limited because of a stabilizing level of consumption (see Consumption). Some small opportunities are to be found in Eastern Europe.

On the sourcing side, Poland has a potential in supplying potatoes however the acreage has gone down considerably during the past 5 years. Also, although the total production of potatoes in Poland is twice as big as in the Netherlands, only a quarter has good quality. Expansion of the processing capacity to Poland will depend on its investment in cultivation methods, infrastructure, storage, tracking and tracing, and finally, developments in the demand of potato products.

Consumption

Nowadays, production innovation by the processing industry is becoming more important since the consumption of fresh potatoes continues to decline. Consumers are demanding healthy and convenient products while at the same time variety and taste remain important.

Within the frozen potato product segment, fries account for approximately 90%. The demand for fries showed double digit growth figures since the 80s until a few years ago. Growth in demand has decreased due to slower expansion of the fast food industry in North West Europe, the leading buyer of fries. The slowing expansion of the fast food industry is the result of the saturation of the market in combination with health concerns like obesity and acrylamide. As a result, the focus of this industry is shifting towards a healthier diets and offering salads and fruit as a component of their meals. The expansion of the fast food industry in North West Europe does not result in more sales of fries but rather compensates for the decrease in consumption if the industry does not expand.

The frozen potato products industry depends heavily on the following three consumer markets: Germany, the UK and France. Those three countries have combined by far the most fast food outlets in the EU 25 (an estimated two thirds). The 10 new EU member states have a mere 10 percent of all fast food outlets, of which half are located in Poland. Growth is expected in Central and Eastern Europe albeit at a slow rate.

Trade

The Netherlands, Canada and the US dominate the international trade in frozen potato products. Over 85 percent of total production in the Netherlands is exported. Total export volume decreased by 1 percent from 1.18 million MT in 2003 to 1.17 million MT in 2004. Almost 90 percent of total exports is exported to other EU countries, export markets outside the EU are slowly gaining market share.

Export Trade Matrix

Country	Netherlands		
Commodit	Potato Products, Frozen		
Time Period	Jan-Dec	Units:	Jan-Dec
Exports for:	2003		**2004**
U.S.	5197	U.S.	4299
Others		Others	
UK	364460	UK	339821
France	151455	France	183423
Germany	200686	Germany	162569
Spain	71536	Spain	72547
Italy	55975	Italy	60963
Sweden	42534	Sweden	46750
Saudi Arabia	37018	Saudi Arabia	43282
Ireland	37894	Ireland	36130
Belgium	21106	Belgium	21304
UAE	8563	UAE	15367
Total for Others	991227		982156
Others not Liste	183854		181122
Grand Total	1180278		1167577

Source: World Trade Atlas (071010+200410)
NOTE: Exports of Dutch products may be somewhat lower since export figures may capture products produced in neighboring countries as well.

The export opportunities for US products in the EU are limited. They are determined by (1) the product availability in Europe, (2) the production and transportation costs and (3) the exchange rate. The Office of Agricultural Affairs in the Hague expects that for the coming year export opportunities for US frozen potato products will have to be found in markets outside the EU.

Tariff list:

HS Code	Tariff	Link
200410	14.4%	http://hbi.douane.nl/tarieven/aktueel/M/S4/C20/Chapter_20_6FS.htm
071010	14.4%	http://hbi.douane.nl/tarieven/aktueel/M/S2/C7/Chapter_7_9FS.htm

Source: www.douane.nl